

ELIAS MOTSOALEDI LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Annual Financial Statements

for

Elias Motsoaledi Local Municipality

for the year ended 30 June: **2009**

Province:

Limpopo

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	Mr J.L Kabini
-----------------------------------	---------------

Name of Chief Financial Officer:	Mrs Nancy Rampedi
---	-------------------

Contact telephone number:	(013)-262 3056
---------------------------	----------------

Contact e-mail address:	nrampedi@emlm.co.za
-------------------------	---------------------

Name of contact at provincial treasury:	
--	--

Contact telephone number:	
---------------------------	--

Contact e-mail address:	
-------------------------	--

Name of relevant Auditor:	
----------------------------------	--

Contact telephone number:	
---------------------------	--

Contact e-mail address:	
-------------------------	--

Treasury:	Thomas Matjeni
------------------	----------------

Contact telephone number:	012 315 5792
---------------------------	--------------

Contact e-mail address:	thomas.matjeni@treasury.gov.za
-------------------------	--------------------------------

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
30 JUNE 2009

General information

Members of the Council

Cllr. L. Seloane
Cllr. A.B. Mahlangu
Cllr. Alberts R.
Cllr. Mabuza T.V
Cllr. Madisa S.T
Cllr. Maepa M.M.
Cllr. Mahlangu M.F
Cllr. Mahlangu T.S
Cllr. Masemola E.M.
Cllr. Mathebe N.C.
Cllr. Chego M.M
Cllr. Collet G.D
Cllr. Duvenage Y
Cllr. Fenyane T.P
Cllr. Kabini M.J
Cllr. Kotse J.P
Cllr. Mabowa S.D.
Cllr. Madihlaba M.M.
Cllr. Madihlaba P.S
Cllr. Madondo V.P
Cllr. Maepa N.E
Cllr. Magaga K.W
Cllr. Mahlangu J.J
Cllr. Makua D.D
Cllr. Malatjie M.N
Cllr. Malatsi M.P.
Cllr. Maleka M.A
Cllr. Malemone P.K
Cllr. Mamaila D.S.
Cllr. Maroga P.N.
Cllr. Mashegoane T.K
Cllr. Mashilo M.S
Cllr. Mashu P.W.
Cllr. Masilela A.L.
Cllr. Matemane W.M

Mayor

Speaker

Members of the Executive Committee

Members of the Executive Committee

Members of the Executive Committee

Members of the Executive Committee

Members of the Executive Committee

Members of the Executive Committee

Members of the Executive Committee

Members of the Executive Committee

Members of the Council (Continues)

Cllr. Mhlanga C.T.
Cllr. Modiga M.P.
Cllr. Modiga S.I.
Cllr. Mogale L.R.
Cllr. Mohlala M.J.
Cllr. Mokgabudi M.P.
Cllr. Motau H.M.
Cllr. Mtshweni L.J.
Cllr. Phetla M.G.
Cllr. Pholotho E.K.
Cllr. Ramaube K.T.
Cllr. Simelane T.
Cllr. Sindane V.J.
Cllr. Skosana S.L.
Cllr. Thokoane M.J.
Cllr. Tshoma L.H.
Cllr. Tshoma M.S.
Cllr. Tshoshane M.K.

Municipal Manager

J.L Kabini

Chief Financial Officer

Nancy Rampedi

Grading of Local Authority

3

Auditors

Auditor-General

Bankers

ABSA Bank

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
30 JUNE 2009

General information (continued)

Registered Office:

Groblersdal

Physical address:

2 Grobler Avenue
Groblersdal
470

Postal address:

P.O.Box 48
Groblersdal
470

Telephone number:

(013)-262 3056

Fax number:

(013)-262 2547

E-mail address:

INDEX

CONTENTS	Page
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF FINANCIAL PERFORMANCE	2
STATEMENT OF CHANGES IN NET ASSETS	3
STATEMENT OF CASHFLOWS	4
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	5
APPENDICES	
A ANALYSIS OF PROPERTY PLANT AND EQUIPMENT	
B SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT	
C SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE	
D(1) ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)	
D(2) ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)	

APPROVAL AND CERTIFICATION

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 30, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

J L KABINI
MUNICIPAL MANAGER

DATE

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

		2009	2008
	Note	R	R
NET ASSETS & LIABILITIES			
ASSETS			
Current assets		112 377 079	113 101 329
Inventories	2	17 540 616	2 698 349
Consumer debtors	3	8 139 214	7 263 392
Other receivables	4	23 904 507	9 532 487
Cash and cash equivalents	5	62 792 741	93 607 101
Non-current assets		487 770 524	135 994 814
Property, plant & equipment	7	487 756 026	135 975 342
Loans and receivables	6	14 498	19 472
Total Assets		600 147 602	249 096 143
Current liabilities			
		35 014 051	52 985 634
Trade and other payables	10	27 633 569	44 650 688
Unspent conditional grants and receipts	11	7 380 481	8 334 946
Non-current liabilities		2 378 206	2 289 365
Interest bearing borrowings	8	-	50 557
Consumer deposits	9	2 378 206	2 238 808
Net Assets			
Accumulated surplus/(deficit)		562 755 346	193 821 144
Total Net Assets and Liabilities		600 147 602	249 096 143

ELIAS MOTSOALEDI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
REVENUE			
Property rates	12	6 048 251	6 333 316
Service charges	13	30 479 663	22 334 554
Rental of facilities and equipment		600 578	587 776
Investment Revenue – external investments	15	8 275 626	4 047 868
Interest earned – outstanding debtors		471 203	649 490
Fines		706 899	1 735 228
Income from agency services		4 979 477	3 979 340
Government grants and subsidies received	14	84 335 938	70 250 848
Other income	16	1 970 466	2 392 342
Total Revenue		<u>137 868 101</u>	<u>112 310 762</u>
EXPENDITURE			
Employee related costs	17	34 792 149	27 122 105
Remuneration of councillors	18	10 545 931	9 570 722
Provision for bad debts		2 462 570	
Repairs and maintenance		12 825 137	12 201 448
Finance cost	19	4 837	21 715
Bulk purchases	20	13 321 123	9 173 967
General expenses	21	24 066 625	12 102 548
Contracted services	22	2 284 902	1 755 990
Total Expenditure		<u>100 303 274</u>	<u>71 948 495</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR		<u>37 564 827</u>	<u>40 362 267</u>

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Pre GRAP Reserves & Funds	Accumulated Surplus/ (Deficit)	Total
Balance at 1 July 2007	R	R	R
Grap implementation (note 23)	132 968 842	40 551 036	173 519 878
	(132 968 842)	132 968 842	0
Restated balance	-	173 519 878	173 519 878
Changes in equity for 2008			
Net surplus for the year		40 362 267	40 362 267
Previous years adjustments		(20 061 001)	(20 061 001)
Property, plant and equipment purchased		-	-
Capital grants used to purchase PPE		-	-
Asset disposals		-	-
Offsetting of depreciation		-	-
Balance at 30 June 2008	0	193 821 144	193 821 144
Balance at 1 July 2008			
Correction of error			
Restated balance	0	193 821 144	193 821 144
Changes in equity for 2008			
Net surplus for the year		37 564 827	37 564 827
Previous years adjustment		6 087 285	6 087 285
Fair value adjustment		309 190 690	309 190 690
Fair value adjustment		16 091 400	16 091 400
Transfer to Government Grant Reserve		-	-
Property, plant and equipment purchased		-	-
Capital grants used to purchase PPE		-	-
Donated/contributed PPE		-	-
Offsetting of depreciation		-	-
Balance at 30 June 2009	0	562 755 346	562 755 346

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others		103 858 814	104 893 688
Cash paid to suppliers and employees		(100 298 437)	(84 272 439)
Cash generated from / (utilized in) operations	24	3 560 377	20 621 251
Interest received		8 275 626	4 047 868
Interest paid		(4 837)	(21 715)
Net cash from operating activities		11 831 166	24 647 404
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(42 589 994)	(40 864 834)
(Increase)/decrease in non-current receivables		(4 975)	156 614
(Increase)/decrease in current investments		0	0
Net cash used in investing activities		(42 594 969)	(40 708 220)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in long term loans		(50 557)	(197 039)
Net cash used in financing activities		(50 557)	(197 039)
Increase/(decrease) in cash and cash equivalents		(30 814 360)	(16 257 855)
Cash and cash equivalents at beginning of the year		93 607 101	(20 348 606)
Cash and cash equivalents at end of the year		62 792 741	93 607 101

**ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003), prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008.

GRAP and GAAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GRAP is set out in Note 24.

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

These accounting policies are consistent with those of the previous financial year.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

These annual financial statements have been prepared on a going concern basis.

In preparing the annual financial statements to conform with the standards of GRAP, management is required to make estimates, judgements and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgements and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

1.6 PROPERTY, PLANT & EQUIPMENT

1.6.1 Initial recognition

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

**ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.6 PROPERTY, PLANT & EQUIPMENT (cont)

Where an item of property, plant and equipment was donated, is initially recognised at its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is commissioned into use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

1.6.2 Subsequent measurement - revaluation model (land and buildings)

Subsequently land and buildings are stated at revalued amounts, being the fair value of the land and buildings at the date of revaluation less subsequent accumulated depreciation and impairment losses in respect of buildings only. All other items of property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Revaluations are performed with sufficient regularity, but at least every three to five years, to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

A decrease in the carrying amount of land and buildings as a result of a revaluation is recognised as an expense unless there is a revaluation surplus in the reserve account. Any amount in excess of the revaluation surplus is recognised as an expense.

1.6.3 Subsequent measurement - cost model

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The residual value of an asset is determined as the estimate amount that could currently be obtained from the disposal of the asset. The residual values of assets are reviewed at each financial year end.

1.6.4 Depreciation and impairment

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:

**ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.6 PROPERTY, PLANT & EQUIPMENT (cont)

Infrastructure Assets	Years
Roads, pavements, bridges and storm water	3-50
Street names, signs and parking meters	20
Water reservoirs and reticulation	15-20
Electricity reticulation	50
Sewerage purification and reticulation	15
Housing	30
Refuse sites	15
 Community Assets	 Years
Parks and gardens	10-30
Sport fields	15-50
Community halls	60
Libraries	60
Recreation facilities	15 - 50
Clinics	60
Fire services	20
 Other Assets	 Years
Motor vehicles	5
Plant and equipment	7
Security measures	3 10
Buildings	60
IT equipment	3
Office equipment	3 - 7
Specialised vehicles	5
 Heritage assets	

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

Notwithstanding the GAMAP transitional provisions applicable, the municipality is exempt from complying with the measurement requirements of GRAP 17, per class of assets, within the three years of initially adopting GRAP 17. Accordingly (certain classes of PPE), have not been measured according to GRAP 17 after initial adoption during (Period).

1.7 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Goodwill (negative goodwill) arises on the acquisition of associates and joint ventures.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands is recognised in the statement of financial performance as incurred.

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

1.7 INTANGIBLE ASSETS (cont)

1.7.1 Licences

Licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

1.7.2 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Years
Licences	3
Computer software	3

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

1.7 INTANGIBLE ASSETS (cont)

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

On initial adoption of the Standard of GRAP on Intangible Assets, any accumulated and retained information about the costs and the future economic benefits or service potential related to intangibles assets that may have been previously expensed are now being recognised in accordance with the standard.

1.8 IMPAIRMENT OF FINANCIAL ASSETS

Impairments of Non-financial assets

Non-Financial assets, excluding investment property, biological assets and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

A servitude will only become impaired if the line to which the servitude is linked is derecognised. In practice a derecognised line will be refurbished or replaced by a new line. The likelihood of the impairment of a servitude right is remote.

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

**ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.8 IMPAIRMENT OF FINANCIAL ASSETS (cont)

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit exceeds its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Reversals of impairment losses on cash-generating units are allocated on a pro rata basis to the assets in the unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

An available for sale financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, any cumulative gains or losses that have been accumulated in equity are removed from equity as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where Held-to-maturity investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

1.9 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups are classified as non-current assets held for sale when the carrying amount of the asset or disposal group is to be recovered principally through a sale transaction rather than through continuing use.

Immediately before the classification of the asset or disposal group as held for sale, the carrying amount of the assets, or the assets and liabilities in the disposal group, are measured in accordance with applicable GRAP standards. Subsequently the asset or disposal group is measured at the lower of its carrying amount and fair value less cost to sell, with any adjustment recorded in the statement of financial performance.

1.10 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment, refer to property, plant and equipment policy 1.6. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

**ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.10 LEASES (cont)

Obligations incurred under operating leases are charged to the statement of financial performance in equal instalments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

The Municipality as Lessor

Amounts due from lessee under finance leases are recognised in the statement of financial position and presented as a receivable at an amount equal to the net investment in the lease. The difference between the gross receivable and the cost of the asset is recognised as unearned finance income. Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income derived from operating leases is recognised on a straight-line basis over the term of the lease in the statement of financial performance. Initial direct costs incurred in negotiating and arranging the operating lease are included in the carrying amount of the leased asset and recognised in the statement of financial performance on a straight-line basis over the lease term.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

1.11 FINANCIAL INSTRUMENTS

Financial instruments are initially measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

Financial assets

Financial assets are recognised in the municipality's statement of financial position when the municipality becomes a party to the contractual provisions of an instrument. Regular way purchases and sales of financial assets are recorded on the trade date.

The municipality classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, held-to-maturity as well as available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

1.11.1 Financial assets at fair value through profit and loss

An instrument is at fair value through profit or loss if it is held for trading or designated as such. Purchase or sale decisions with regard to these investments are managed in accordance with the municipality's documented risk or investment strategy. Financial assets at Fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. The net gain or loss recognised in the statement of financial performance incorporates any dividend or interest earned on the financial asset.

**ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.11 FINANCIAL INSTRUMENTS (cont)

1.11.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets. They include short-term receivables, such as property rates, trade and other receivables, and long-term receivables, such as loans granted. This category may also include financial assets that would have been impaired or past due if the terms of the instrument were not renegotiated.

Loans and receivables are recognised initially at fair value, plus transaction costs. Subsequently items in this category are measured at amortised cost using the effective interest rate, and interest income is included in the statement of financial performance for the period. Net gains or losses represent; reversals of impairment losses, impairment losses, refer to impairment of assets 1.8 as well as gains or losses on derecognition. These net gains and losses are included in the statement of financial performance.

1.11.3 Held-to-maturity investments

Debt securities that the Municipality has the expressed intention and ability to hold to a fixed maturity date are recognised on a trade date basis and are initially measured at fair value plus transaction cost.

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Surplus funds are invested in terms of Council's Investment Policy and the investment regulations.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

1.11.4 Available for sale assets

Non-derivative assets that do not fall into any of the other categories are classified as available for sale. These financial instruments are stated at fair value plus transaction costs. Fair value is determined with reference to quoted market prices. Gains and losses arising from changes in fair value, with the exception of impairment losses, refer to impairment of assets 1.8, are recognised directly in equity in the Mark-to-Market reserve.

Financial liabilities

Financial liabilities are recognised in the municipality's statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

The municipality classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued/obtained.

1.11.1 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at Fair Value Through Profit or Loss where the financial liability is either held for trading or it is designated as at Fair Value Through Profit or Loss.

Financial liabilities at Fair Value Through Profit or Loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. Interest expense is calculated using the effective interest rate method and included as part of finance costs in the Statement of Financial Performance.

1.11.2 Other financial liabilities

Other financial liabilities, including interest bearing borrowings, are initially measured at fair value, net of transaction costs.

Subsequently, other financial liabilities are measured at amortised cost using the effective rate method, with interest costs being recognised on an effective yield basis.

**ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.12 INVENTORIES

Inventories are initially measured at cost which cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

The Municipality has taken advantage of the three year transitional provision period in which it has to comply with GRAP 12.

1.13 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank. Short term investments are excluded. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.14 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.

1.15 EMPLOYEE BENEFITS

1.15.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

**ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.15 EMPLOYEE BENEFITS (cont)

1.15.2 Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.15.3 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

1.16 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.16.1 Revenue from exchange transactions

Rendering of services

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

**ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.16 REVENUE RECOGNITION (cont)

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

Sale of goods

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Interest and royalties

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset.

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement.

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

1.16.2 Revenue from non-exchange transactions

Fines

Revenue from fines is recognised when payment is received and the revenue from the issuing of spot fines and summonses is recognised when collected together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

**ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.16 REVENUE RECOGNITION (cont)

Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income .

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

1.17 BORROWING COSTS (EXPENSED)

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

BORROWING COSTS (CAPITALISED)

Borrowing costs directly related to the acquisition or construction of qualifying assets where there is a considerable period of time before such assets are substantially ready for their intended use are added to the cost of those assets for such periods of time. Investment income earned on the temporary investment of specific borrowings prior to being used in the acquisition or construction of such assets is deducted from the borrowing costs eligible to be capitalised.

All other borrowings costs are recognised as an expense in the Statement of Financial Performance.

1.18 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the payment basis.

1.19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.20 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
2. INVENTORIES		
Consumable stores	1 449 216	2 698 349
Property inventory	16 091 400	
	<u>17 540 616</u>	<u>2 698 349</u>
3. CONSUMER DEBTORS		
Consumer Debtors	11 302 053	7 963 661
Less Provision for bad debts	(3 162 839)	(700 269)
	<u>8 139 214</u>	<u>7 263 392</u>
Ageing of consumer debtors		
Current (0-30 days)	3 945 316	2 775 014
31–60 days	1 113 724	959 266
61–90 days	1 173 940	339 856
91–120 days	271 475	200 025
120+ days	4 797 598	3 690 500
	<u>11 302 053</u>	<u>7 964 661</u>
Electricity		
Current (0-30 days)	1 606 718	1 371 981
31–60 days	409 754	378 279
61–90 days	418 794	74 706
91–120 days	86 858	37 544
120+ days	249 817	343 157
	<u>2 771 941</u>	<u>2 205 667</u>
Water		
Current (0-30 days)	628 522	355 151
31–60 days	212 102	140 947
61–90 days	211 441	63 669
91–120 days	64 952	33 781
120+ days	311 220	609 893
	<u>1 428 237</u>	<u>1 203 441</u>
Refuse		
Current (0-30 days)	135 618	140 726
31–60 days	51 877	58 256
61–90 days	50 481	20 778
91–120 days	8 874	15 359
120+ days	95 641	339 826
	<u>342 491</u>	<u>574 945</u>
Sewerage		
Current (0-30 days)	108 335	105 707
31–60 days	53 072	41 058
61–90 days	47 502	20 421
91–120 days	7 234	14 677
120+ days	106 133	304 397
	<u>322 276</u>	<u>486 260</u>

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
3. CONSUMER DEBTORS (cont)		
Rates		
Current (0-30 days)	531 608	523 795
31-60 days	92 441	192 987
61-90 days	162 349	79 613
91-120 days	36 661	47 918
120+ days	278 406	1 069 847
	<u>1 101 465</u>	<u>1 914 160</u>
Other		
Current (0-30 days)	934 515	277 654
31-60 days	294 478	147 739
61-90 days	283 373	80 669
91-120 days	66 896	50 746
120+ days	3 756 381	1 023 380
	<u>5 335 644</u>	<u>1 580 188</u>
Reconciliation of bad debt provision		
Balance at beginning of year	700 269	700 269
Contributions to provision	2 462 570	-
Bad debts recovered/(written off) against provision		-
Balance at year end	<u>3 162 839</u>	<u>700 269</u>
4. OTHER RECEIVABLES		
Sundry debtors	231 442	757 204
Pre-paid expenses	21 553 777	
VAT	1 830 223	8 775 283
Land Affairs Grant	289 065	
	<u>23 904 507</u>	<u>9 532 487</u>

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
5. CASH AND CASH EQUIVALENT		
Current account (PHP account)		
Bank: ABSA		
Account number: 4058848103		
Bank statement balance at beginning of year	2 612 203	2 484 953
Bank statement balance at end of year	<u>2 776 923</u>	<u>2 612 203</u>
Cash book balance at beginning of year	2 446 146	2 446 146
Cash book balance at end of year	<u>2 776 923</u>	<u>2 446 146</u>
Current account (primary bank account)		
Bank: ABSA		
Account number: 4068316809		
Bank statement balance at beginning of year	25 235 791	22 299 648
Bank statement balance at end of year	<u>7 356</u>	<u>25 235 791</u>
Cash book balance at beginning of year	25 235 791	222 299 648
Cash book balance at end of year	<u>7 356</u>	<u>25 235 791</u>
Petty cash	2 000	3 440
Bank: ABSA- 2062856079	1 400 834	65 921 724
Bank: ABSA- 2068656526	5 000 000	5 401 434
Bank: ABSA- 2068656568	5 000 000	0
Bank: ABSA- 2068908040	10 000 000	0
Bank: ABSA-2062741066	-	2 722 818
Bank: ABSA- 2062741197	-	5 400 000
Bank: ABSA- 2063737678	-	2 460 995
Bank: FNB-62033050238	98 159	659 681
Bank: FNB-74035036108	5 083 942	5 083 942
Bank: FNB-74033050259	3 886 282	3 886 282
Bank: FNB-74052611355	-	12 000 000
Bank: FNB-74070280554	-	5 178 162
Bank: NEW REPUBLIC BANK-108883/0017	274 982	162 752
SANLAM-PORTFOLIO CODE:GGMKON	20 262 263	22 965 659
Bank: NEDBANK-7881068264	9 000 000	0
TOTAL CASH AND CASH EQUIVALENTS	62 792 741	93 607 101
6. LOANS AND RECEIVABLES		
Housing scheme	14 498	19 472
	<u>14 498</u>	<u>19 472</u>

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

7. PROPERTY, PLANT & EQUIPMENT

	Land and Buildings R	Infrastructure R	Community Assets R	Other Assets R	Total R
Carrying values at 1 July 2008	0	135 975 342	0	0	135 975 342
Cost	0	135 975 342	0	0	135 975 342
Accumulated depreciation – cost	0	0	0	0	0
Acquisitions		42 589 994			42 589 994
Capital under construction					0
Depreciation – based on cost					0
Fair Value adjustment	166 767 178	29 911 773	105 600 431	6 911 307	309 190 690
Carrying values at 30 June 2009	166 767 178	208 477 109	105 600 431	6 911 307	487 756 026
Cost	166 767 178	208 477 109	105 600 431	6 911 307	487 756 026
Accumulated depreciation – cost	0	0	0	0	0
Carrying values at 1 July 2007	0	95 110 508	0	0	95 110 508
Cost		95 110 508			95 110 508
Accumulated depreciation – cost					0
Acquisitions		40 864 834			40 864 834
Carrying values at 30 June 2008	0	135 975 342	0	0	135 975 342
Cost	0	135 975 342	0	0	135 975 342
Accumulated depreciation – cost	0	0	0	0	0

No detail of the breakdown of assets were available prior to the unbundling of assets and were reported as Infrastructure. Assets were fair valued during the unbundling of the assets as at 30 June 2009, hence no depreciation were reported.

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
8. INTEREST BEARING BORROWINGS		
Local Registered Stock loans		
Annuity loans	0	50 557
Less: Current portion transferred to current liabilities		50 557
Annuity loans	-	
	0	50 557
Annuity loans bear interest at rates that fluctuate between 10% and 13% per annum and is repayable over periods between ten and thirty years. None of the loans are secured by the municipality's assets.		
9. CONSUMER DEPOSITS		
Water and electricity	2 378 206	2 238 808
No interest is paid on consumer deposits.		
Guarantees held in lieu of electricity and water deposits		108 403
10. TRADE AND OTHER PAYABLES		
Trade creditors	3 967 260	750 049
Staff leave	2 862 907	2 932 558
Retentions	1 878 609	0
Loans to Sport Clubs	2 744	1 384
Vehicle loans	3 689	67 209
BANK OVERDRAFT		
The municipality has the following bank accounts:		
Current account (primary bank account)		
Bank: ABSA		
Account number: 90000049		
Bank statement balance at beginning of year	4 693 316	
Bank statement balance at end of year	5 591 267	4 693 316
Cash book balance at beginning of year	40 899 490	20 109 171
Cash book balance at end of year	18 918 360	40 899 490
Total Trade and Other Payables	27 633 569	44 650 688
11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Finance Management Grant	403	579 277
Municipal Systems Improvement Grant	68 789	155 237
Municipal Infrastructure Grant	4 361 433	3 906 828
Housing Grant	2 776 923	2 612 203
DME	1 066	1 066
Premier Grant	171 866	1 080 335
Sekhukhune District-Ward incentives	-	-
Total Conditional Grants and Receipts	7 380 481	8 334 946

See note 14 for reconciliation of grants from other spheres of government.

**ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008
12. PROPERTY RATES		
Residential	1 947 268	2 052 080
Government	608 928	4 281 236
Commercial	3 492 054	0
Other		0
	6 048 251	6 333 316
VALUATIONS	R000's	R000's
Residential	294 470 659	20 780 147
Government	82 102 694	45 250 506
Commercial	470 838 744	5 678 604
Municipal	9 079 028	0
Other		0
	856 491 125	71 709 257
Valuations on land only are performed every four years. The last valuation came into effect on 1 July 1997. The Rate at which the properties are levied 8.9c for 2009 (8.9c for 2008)		
13. SERVICE CHARGES		
Sale of electricity	20 414 894	15 399 238
Sale of water	8 331 154	5 291 073
Refuse removal	1 733 615	1 644 243
	30 479 663	22 334 554
14. GOVERNMENT SUBSIDIES & GRANTS		
Equitable share	60 648 785	47 799 329
Finance management grant	828 874	500 000
Municipal Systems Improvement grant	821 448	734 000
Municipal infrastructural grant (MIG)	18 619 395	20 568 644
Housing Grant	656	
Premiers Infrastructure Grant	908 469	
Land Affairs	2 182 035	
DME	0	648 875
Ward Committee Subsidies	326 277	
Total Government Grants & Subsidies	84 335 938	70 250 848

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
14 GOVERNMENT SUBSIDIES & GRANTS (cont)		
14.1 Equitable Share	60 648 785	47 799 329
This grant is an unconditional grant and is partially utilized for the provision of indigent support through free basic services.		
14.2 Finance Management Grant		
Balance unspent at beginning of year	579 277	609 981
Current year receipts	250 000	500 000
Conditions met – transferred to revenue	(828 874)	(530 704)
Previous adjustment		
Unspent amount transferred to liabilities	403	579 277
(see note 12)		
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.		
14.3 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	155 237.5	85 446
Current year receipts	735 000	734 000
Conditions met – transferred to revenue	(821 448)	(664 209)
Previous adjustment		
Unspent amount transferred to liabilities	68 789	155 237
(see note 12)		
The purpose of the grant is for institutional systems. The conditions of the grant were met. No funds have been withheld.		
14.4 Municipal Infrastructure Grant		
Balance unspent at beginning of year	3 906 828.0	0
Current year receipts	19 074 000	13 631 889
Conditions met – transferred to revenue	(18 619 395)	(9 725 061)
Previous adjustment		
Unspent amount transferred to liabilities	4 361 433	3 906 828
(see note 12)		
The grant was utilised for the construction of infrastructure. The conditions of the grant were met. No funds have been withheld.		
14.5 Housing grant		
Balance unspent at beginning of year	2 612 203	2 446 145
Current year receipts	165 377	166 058
Conditions met – transferred to revenue	(656)	-
Unspent amount transferred to liabilities	2 776 923	2 612 203
14.6 Premiers Infrastructure Grant		
Balance unspent at beginning of year	1 080 335	1 080 335
Current year receipts	-	-
Conditions met – transferred to revenue	(908 469)	-
Unspent amount transferred to liabilities	171 866	1 080 335
The grant was received for infrastructure.		
14.7 Land Affairs		
Balance unspent at beginning of year	-	-
Current year receipts	1 892 970	0
Conditions met – transferred to revenue	(2 182 035)	0
Unspent amount transferred to liabilities	(289 065)	-
The grant was received for infrastructure.		

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
14.8 DME		
Balance unspent at beginning of year	1 066	1 066
Current year receipts	-	-
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	1 066	1 066
The grant was received for infrastructure.		
14.9 SEKHUKHUNE DISTRICT		
Balance unspent at beginning of year	-	-
Current year receipts	326 277	-
Conditions met – transferred to revenue	(326 277)	-
Unspent amount transferred to liabilities	-	-
The grant was received for infrastructure.		
14. GOVERNMENT SUBSIDIES & GRANTS (cont)		
14.9 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 12 of 2009), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
15. INVESTMENT REVENUE		
External investments	8 275 626	4 047 868
	8 275 626	4 047 868
16. OTHER INCOME		
Valuation certificates	392	501 722
Tender documents	69 006	23 496
Connection fess	13 115	22 201
Cemetery fees	38 553	38 039
LGSETA grants	54 717	203 991
Other (specify)	1 794 683	1 602 893
Total Other Income	1 970 466	2 392 342

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
17. EMPLOYEE RELATED COSTS		
Salaries & Wages	20 071 337	17 051 386
Accumulated Leave Pay	220 545	144 561
Annual Bonus	1 685 692	1 288 064
Overtime	866 113	367 782
Group Life Insurance	0	0
Housing Allowance	74 173	73 714
Medical Aid	1 789 283	1 415 796
Pension	5 067 107	3 114 026
Industrial Council Levy	9 512	6 893
Travel Allowance	4 407 735	3 212 527
Telephone Allowance		299 414
Unemployment Insurance Fund	220 036	147 941
Workman Compensation	0	0
Skills Development Levy	116 751	0
Performance Bonus	263 867	0
	<u>34 792 149</u>	<u>27 122 105</u>
There were no advances paid to employees.		
Municipal Manager		
Annual remuneration	506 953	425 778
Allowances	90 000	90 000
Council Contributions	162 093	135 570
	<u>759 046</u>	<u>651 348</u>
Chief Financial Officer		
Annual remuneration	477 063	30 343
Allowances	101 500	7 000
Council Contributions	2 371	2 868
	<u>580 934</u>	<u>40 211</u>
Director Planning		
Annual remuneration	355 745	318 901
Allowances	60 000	60 000
Council Contributions	105 457	93 338
	<u>521 202</u>	<u>472 238</u>

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
17. EMPLOYEE RELATED COSTS (cont)		
Director Infrastructure		
Annual remuneration	443 763	369 684
Allowances	84 000	84 000
Council Contributions	3 262	1 354
	<u>531 025</u>	<u>455 038</u>
Director Corporate		
Annual remuneration	421 937	373 969
Allowances	65 005	72 005
Council Contributions	34 765	29 402
	<u>521 707</u>	<u>475 375</u>
Performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act.		
18. REMUNERATION OF COUNCILLORS		
Mayor	518 699	468 314
Speaker	421 758	380 038
Executive Committee	1 860 293	1 674 180
Councillors	7 745 181	7 048 190
	<u>10 545 931</u>	<u>9 570 722</u>
The Mayor and Speaker are full time. Both are provided with an office and secretarial support at the cost of Council. The Mayor has the use of a Council owned vehicle.		
Arreas by Councillors		
Seloane LM	4 517	2 295
19. FINANCE COST		
Other	4 837	21 715
	<u>4 837</u>	<u>21 715</u>
20. BULK PURCHASES		
Electricity	12 856 742	8 846 809
Water	464 381	327 158
Cost excludes other related expenses of operations, which are included in salaries and general expenses.	<u>13 321 123</u>	<u>9 173 967</u>

**ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

21. GENERAL EXPENSES	2009	2008
Included in general expenses is the following:-		
Advertisement	266 926	259 875
Audit fees	1 439 020	223 650
Bank charges	103 892	53 307
Conferences	435 904	418 068
Entertainment	172 670	136 644
Valuation roll	520 000.0	1 750 000
Insurances	759 900	582 409
Legal charges	973 838	360 967
Material and stores	749 263	368 918
Telecommunication costs	1 994 514	1 222 210
Rental equipment	1 666 453	1 251 615
Training	332 993	102 670
Motor vehicle expenses	506 817	283 965
Other	14 144 435	5 088 250
	<u>24 066 625</u>	<u>12 102 548</u>
 22. CONTRACTED SERVICES		
Refuse	429 307	119 577
Security	1 507 394	1 087 880
Cleaning	348 201	548 533
	<u>2 284 902</u>	<u>1 755 990</u>
 23. CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GRAP		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP: -		
23.1 Statutory Funds		
Balance previously reported: -		
Capital Development Fund		20 365 983
Land Trust Fund		14 168 838
Bursary Fund		75 300
Endowment Fund		222 351
Township Development Suspense		578 170
Total (credited to Accumulated Surplus) (see 24.5 below)		<u>35 410 642</u>
 23.2 Loans Redeemed and Other Capital Receipts		
Balance previously reported		<u>89 619 415</u>
Implementation of GRAP		
Total (credited to Accumulated Surplus) (see 24.5 below)		<u>89 619 415</u>

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
23. CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GRAP (cont)		
23.3 Reserves and Provisions		
Balance previously reported:-		
Reserve air conditioners		185 269
Reserve road subsidy		48 369
Provision municipal buildings		228 682
Provision insurance sub economic		44 061
Reserve insurance		2 385 938
Reserve development costs		2 569 717
Reserve Parking		429 506
Reserve Game		66 385
Reserve Housing		321 891
Reserve Vehicles		292 344
Reserve transformer		87 183
Total		6 659 345
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 24.5 below)		6 659 345
23.4 CDF loan		
Balance previously reported:-		
CDF outstanding loan		1 279 438
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 24.5 below)		1 279 438
23.5 Accumulated Surplus/(Deficit)		
Implementation of GRAP		
Transferred from statutory funds (see 24.1 above)		35 410 642
Transferred from Loans Redeemed and Other Capital Receipts (see 24.2 above)		89 619 415
Transferred from Reserves and Provisions (see 24.3 above)		6 659 345
CDF loan reversed (see 24.4 above)		1 279 438
Total		132 968 840
24. CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
Net surplus for the year	37 564 827	40 362 267
Adjustment for:		
Prior year adjustments	(4 492 597)	
Depreciation charges		
Interest received	(8 275 626)	(4 047 868)
Interest paid	4 837	21 715
GRAP conversion		(10 323 443)
Non-operating expenditure		
Operating surplus before working capital changes	24 801 441	26 012 671
(Increase)/decrease in inventories	6 924 932	406 470
(Increase)/decrease in consumer debtors	(875 822)	549 935
(Increase)/decrease in other receivables	(14 372 020)	(9 532 487)
Increase/(decrease) in conditional grants	5 053 430	4 235 981
Increase/(decrease) in trade payables and other payables	(17 017 119)	(1 156 530)
Increase/(decrease) in consumer deposits	(954 465)	105 211
Net cash from operating activities	3 560 377	20 621 251

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
25. ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003		
25.1 Contribution to SALGA		
Amount paid current year	364 837	133 112
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
25.2 Audit Fees		
Amount paid current year	1 439 020	223 650
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
25.3 VAT		
VAT is payable on payment basis. VAT input receivables and VAT output receivable are shown in notes 3. All VAT returns have been submitted by the due date throughout the year.	3 181 612 #	8 775 283
25.4 Pay as You Earn (PAYE)		
Amount paid current year	4 768 059	3 792 777
Balance unpaid	<u>-</u>	<u>-</u>
25.5 Unemployment Insurance Fund (UIF)		
Amount paid current year	220 036	147 941
Balance unpaid	<u>-</u>	<u>-</u>
25.6 Medical Aid		
Amount paid current year	1 789 283	1 415 796
Balance unpaid	<u>-</u>	<u>-</u>
25.7 Pension Fund		
Amount paid current year	5 067 107	3 114 026
Balance unpaid	<u>-</u>	<u>-</u>
26. CONTINGENT ASSETS		
Insurance claim with regrd to fire damages sustained to a single storey office building amounting to R297 000 (excl VAT).		
27 IRREGULAR EXPENDITURE		
27.1 Refuse Removal extension on month to month		
Council condone expenditure on F09/19	688 040	757 440
	(688 040)	(757 440)
	<u>-</u>	<u>-</u>
27.2 Extension of Security Services on month to month		
Council condone the expenditure on extension of security on F0/22	1 626 198	-
	(1 626 198)	-
	<u>-</u>	<u>-</u>
27.2 Extension Insurance		
Council condone the expenditure on 1 year extension of insurance	759 175	-
Council Resolution F09/21	(759 175)	-
	<u>-</u>	<u>-</u>
28 FRUITLESS AND WASTEFUL EXPENDITURE		

ELIAS MOTSOLEDI LOCAL MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
Expenditure incurred on employee suspended 4 years, and the case is still at High Court	269 751	220 000
Council condone expenditure incurred on employee on F09/18	<u>(269 751)</u>	<u>(220 000)</u>
	<u>-</u>	<u>-</u>
29 COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for	<u>47 552 276</u>	
The expenditure will be financed from:		
- Government Grants	<u>47 552 276</u>	
	<u>47 552 276</u>	<u>0</u>
30 CONTINGENT LIABILITIES		
30.1 A pending court case between MCS Electric vs. Elias Motsoaledi Local Municipality in respect of damages to the sum of R6 630.00		
30.2 A pending court case between Marumo Moses Ntlaona vs. Lucas Masumbuka, Nomfundo Consulting and Elias Motsoaledi Local Municipality in respect of security provided for payment to the value of R187 045.11		
30.3 A pending labour court case between Marnakoko and 5 other vs. Elias Motsoaledi Local Municipality in respect of their re-instatement in the employ of the municipality.		